

URANIUM ENERGY CORP
Form 10QSB
June 13, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended April 30, 2008

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number: 001-33706

URANIUM ENERGY CORP.

(Exact name of small business issuer as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation of organization)

98-0399476

(I.R.S. Employer Identification No.)

9801 Anderson Mill Road
Suite 230
Austin, Texas

(Address of Principal Executive Offices)

78750

(Zip Code)

(512) 828-6980

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: **39,841,823 shares of common stock as of June 12, 2008.**

Transitional Small Business Disclosure Format: (Check one) Yes No

URANIUM ENERGY CORP.

Quarterly Report On Form 10-QSB
For The Quarterly Period Ended April 30, 2008

FORWARD-LOOKING STATEMENTS

This Form 10-QSB for the quarterly period ended April 30, 2008 contains forward-looking statements that involve risks and uncertainties. Forward-looking statements in this document include, among others, statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve assumptions, risks and uncertainties regarding, among others, the success of our business plan, availability of funds, government regulations, operating costs, our ability to achieve significant revenues, our business model and products and other factors. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. In evaluating these statements, you should consider various factors, including the assumptions, risks and uncertainties set forth in reports and other documents we have filed with or furnished to the SEC, including, without limitation, our Form 10-KSB for the period ended July 31, 2007, as amended. These factors or any of them may cause our actual results to differ materially from any forward-looking statement made in this document. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding future events, our actual results will likely vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. The forward-looking statements in this document are made as of the date of this document and we do not intend or undertake to update any of the forward-looking statements to conform these statements to actual results, except as required by applicable law, including the securities laws of the United States.

URANIUM ENERGY CORP.

TABLE OF CONTENTS

| | |
|---|----|
| PART 1. FINANCIAL INFORMATION | 4 |
| Item 1. Financial Statements | 4 |
| Item 2. Management's Discussion and Analysis or Plan of Operations | 24 |
| Item 3. Controls and Procedures | 34 |
| PART II. OTHER INFORMATION | 36 |
| Item 1. Legal Proceedings | 36 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 36 |
| Item 3. Defaults Upon Senior Securities | 37 |
| Item 4. Submission of Matters to a Vote of Security Holders | 37 |
| Item 5. Other Information | 37 |
| Item 6. Exhibits | 37 |
| SIGNATURES | 38 |

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

URANIUM ENERGY CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2008
(Unaudited)

URANIUM ENERGY CORP.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS (Note 1)
(Unaudited)

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| | <u>April 30, 2008</u> | July 31, 2007 (As Restated, see Note 13) |
|---|-----------------------|--|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$2,654,677 | \$9,083,453 |
| Restricted cash (Note 3) | 158,958 | 4,500 |
| Available-for-sale securities (Note 4) | 101,500 | 717,198 |
| Accounts and interest receivable | 48,781 | 4,415 |
| Due from related parties (Note 7) | 10,320 | - |
| Prepaid expenses and deposits | <u>271,294</u> | <u>163,240</u> |
| | 3,245,530 | 9,972,806 |
| MINERAL RIGHTS AND PROPERTIES | | |
| (Note 5) | 13,118,298 | 11,463,208 |
| DATABASES | | |
| (Note 5) | 1,022,228 | 536,183 |
| PROPERTIES AND EQUIPMENT | | |
| (Note 6) | <u>1,151,266</u> | <u>553,530</u> |
| | <u>\$18,537,322</u> | <u>\$22,525,727</u> |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | <u>\$825,945</u> | <u>\$379,157</u> |
| STOCKHOLDERS' EQUITY | | |
| Capital stock (Note 8) | | |
| Common stock \$0.001 par value: 750,000,000 shares authorized | | |
| 39,815,323 shares issued and outstanding | | |

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| | | |
|--|---------------------|---------------------|
| (July 31, 2007 - 37,612,088) | 39,815 | 37,612 |
| Additional paid-in capital | 53,232,373 | 42,950,985 |
| Common share and warrant proceeds | - | 34,750 |
| Obligation to issue shares | 38,250 | - |
| Deficit accumulated during the exploration stage | (35,610,091) | (21,163,764) |
| Accumulated other comprehensive income | <u>11,030</u> | <u>286,987</u> |
| | <u>17,711,377</u> | <u>22,146,570</u> |
| | <u>\$18,537,322</u> | <u>\$22,525,727</u> |

COMMITMENTS

(Notes 5, 6 and 10)

The accompanying notes are an integral part of these consolidated financial statements.

6

URANIUM ENERGY CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

| | Three Months Ended <u>April 30, 2008</u> | Three Months Ended <u>April 30,</u> <u>2007</u> | Nine Months Ended <u>April 30,</u> <u>2008</u> | Nine Months Ended <u>April 30,</u> <u>2007</u> | For the Period from May 16, 2003 (inception) to <u>April 30,</u> <u>2008</u> |
|---|--|---|---|---|---|
| EXPENSES | | | | | |
| Consulting fees | \$110,049 | \$91,407 | \$412,107 | \$212,294 | \$1,373,688 |
| Consulting fees - stock based (Note 8) | 185,071 | 478,958 | 503,304 | 1,852,386 | 6,557,337 |

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| | | | | | |
|--|------------------|------------------|-------------------|-------------------|-------------------|
| Depreciation | 122,911 | 24,817 | 273,865 | 59,993 | 414,877 |
| General and administrative | 1,474,735 | 806,633 | 3,980,742 | 1,863,620 | 8,873,969 |
| Impairment loss on mineral Properties (Note 5) | - | - | - | - | 55,640 |
| Interest and finance charges | 25,642 | - | 25,642 | - | 142,038 |
| Management fees | 190,383 | 234,659 | 620,536 | 831,741 | 1,743,942 |
| Management fees - stock based (Note 8) | 1,752,250 | 473,000 | 2,019,250 | 2,372,753 | 4,717,003 |
| Mineral property expenditures (Note 5) | 1,803,677 | 1,499,550 | 5,084,304 | 3,016,252 | 9,791,321 |
| Professional fees | 190,276 | 155,113 | 512,383 | 341,110 | 1,255,212 |
| Wages and benefits - stock based (Note 8) | <u>275,724</u> | <u>195,113</u> | <u>1,028,446</u> | <u>667,291</u> | <u>1,695,737</u> |
| | <u>6,130,718</u> | <u>3,959,250</u> | <u>14,460,579</u> | <u>11,217,440</u> | <u>36,620,764</u> |
| LOSS BEFORE OTHER ITEMS | (6,130,718) | (3,959,250) | (14,460,579) | (11,217,440) | (36,620,764) |
| OTHER ITEMS | | | | | |
| Interest income | 25,983 | 150,776 | 157,410 | 255,161 | 553,728 |
| Gain on sale of assets | - | - | - | 363,757 | 363,757 |
| Gain on sale of marketable securities | 34,168 | - | 34,168 | - | 34,168 |
| Other income | - | - | <u>10,355</u> | <u>29,713</u> | <u>51,530</u> |
| LOSS BEFORE INCOME TAXES | (6,070,567) | (3,808,474) | (14,258,646) | (10,568,809) | (35,617,581) |
| INCOME TAXES | <u>(69,802)</u> | <u>—</u> | <u>(187,681)</u> | <u>—</u> | <u>7,490</u> |

| | | | | | |
|--|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Deferred income tax (expense) benefit | = | = | | | |
| NET LOSS FOR THE PERIOD | (6,140,369) | (3,808,474) | (14,446,327) | (10,568,809) | (35,610,091) |
| OTHER COMPREHENSIVE (LOSS) | | | | | |
| INCOME (NET OF INCOME TAXES) | <u>(102,633)</u> | <u>-</u> | <u>(275,957)</u> | <u>-</u> | <u>11,030</u> |
| TOTAL COMPREHENSIVE LOSS | | | | | |
| FOR THE PERIOD | <u>\$(6,243,002)</u> | <u>\$(3,808,474)</u> | <u>\$(14,722,284)</u> | <u>\$(10,568,809)</u> | <u>\$(35,599,061)</u> |
| BASIC AND DILUTED NET | | | | | |
| LOSS PER SHARE | <u>\$(0.15)</u> | <u>\$(0.11)</u> | <u>\$(0.37)</u> | <u>\$(0.33)</u> | |
| WEIGHTED AVERAGE NUMBER OF | | | | | |
| SHARES OUTSTANDING, BASIC AND DILUTED | <u>39,780,823</u> | <u>35,809,141</u> | <u>38,709,387</u> | <u>31,925,691</u> | |

The accompanying notes are an integral part of these consolidated financial statements.

URANIUM ENERGY, CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

| | | | | | | |
|--|---------------|---------------|------------------------|-----------------|----------------|-------------------------|
| | Common Stock | Additional | Obligation to issue | Subscriptions | Accumulated | Accum Oth Comprel |
| | <u>Shares</u> | <u>Amount</u> | <u>shares</u> | <u>Received</u> | <u>Deficit</u> | <u>Inco</u> |

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| | | | <u>Paid-in Capital</u> | | | | |
|--|------------|----------|----------------------------|--------|----------|----------------|-----|
| Balance, July 31, 2007 (As Restated, see Note 13) | 37,612,088 | \$37,612 | \$42,950,985 | \$ - | \$34,750 | \$(21,163,764) | \$2 |
| Common stock | | | | | | | |
| Issued for cash at \$3.75 per share | 1,800,000 | 1,800 | 6,748,200 | - | - | - | |
| Issued on the exercise of options | 330,000 | 330 | 206,260 | - | - | - | |
| Issued on the exercise of warrants | 48,235 | 48 | 137,707 | - | (34,750) | - | |
| Issued pursuant to service agreements | 25,000 | 25 | 80,875 | 38,250 | - | - | |
| Share issuance costs | - | - | (476,911) | - | - | - | |
| Stock based compensation | | | | | | | |
| Options issued for consulting services | - | - | 392,781 | - | - | - | |
| Options issued for management fees | - | - | 2,019,250 | - | - | - | |
| Options issued for wages and benefits | - | - | 1,028,446 | - | - | - | |
| Warrants issued as penalties pursuant to private placement agreements | - | - | 25,642 | - | - | - | |
| Recovery of short swing profits | - | - | 119,138 | - | - | - | |
| Net loss for the period | - | - | - | - | - | (14,446,327) | |

| | | | | | | | |
|--|-------------------|-----------------|---------------------|-----------------|------------|-----------------------|-----|
| Unrealized loss on available-for-sale securities | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | (2) |
| Balance, April 30, 2008 | <u>39,815,323</u> | <u>\$39,815</u> | <u>\$53,232,373</u> | <u>\$38,250</u> | <u>\$—</u> | <u>\$(35,610,091)</u> | \$ |

All share amounts have been restated to reflect the 2:1 reverse share consolidation in January 2005 and the 1.5:1 forward share split as of the date of record, February 28, 2006.

The accompanying notes are an integral part of these consolidated financial statements.

URANIUM ENERGY CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine Months Ended <u>April 30, 2008</u> | Nine Months Ended <u>April 30, 2007</u> | For the Period From May 16, 2003 (inception) to <u>April 30, 2008</u> |
|--|--|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| | \$ (14,446,327) | \$ (10,568,809) | \$ (35,610,091) |
| Adjustments to reconcile net loss to net cash from operating activities: | | | |
| Stock based compensation | 3,551,000 | 4,892,430 | 12,970,077 |
| Stock based mineral property expenditures | - | 138,750 | 138,750 |
| Impairment loss on mineral properties | - | - | 55,640 |

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| | | | |
|--|---------------------|--------------------|---------------------|
| Non-cash interest and finance charges | 25,642 | - | 142,038 |
| Depreciation and amortization | 273,866 | 59,993 | 414,878 |
| Deferred income tax expense (benefit) | 187,681 | - | (7,490) |
| Gain on sale os assets | - | (363,757) | (363,757) |
| Gain on sale of marketable securities | (34,168) | - | (34,168) |
| Changes in operating assets and liabilities: | | | |
| Accounts and interest receivable | (44,366) | (3,183) | (48,781) |
| Prepaid expenses and deposits | (108,054) | (436,826) | (250,767) |
| Accounts payable and accrued liabilities | <u>455,414</u> | <u>103,609</u> | <u>823,043</u> |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | <u>(10,139,312)</u> | <u>(6,177,793)</u> | <u>(21,770,628)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Issuance of shares for cash | 6,582,685 | 17,213,656 | 31,697,581 |
| Convertible debenture proceeds | - | - | 20,000 |
| | - | - | (329,700) |

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Share issuance costs

| | | | |
|---|--------------------|--------------------|--------------------|
| Recovery of short swing profits | 119,138 | - | 119,138 |
| | | <u> </u> | |
| Advances (to) from related parties | <u>(10,320)</u> | = | <u>(10,320)</u> |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | <u>6,691,503</u> | <u>17,213,656</u> | <u>31,496,699</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of mineral rights and properties | (1,655,090) | (2,519,328) | (4,966,439) |
| Acquisition of databases | (600,000) | (81,750) | (901,750) |
| Proceeds from sale of assets | - | 150,000 | 150,000 |
| Proceeds from sale of investments | 186,228 | - | 186,228 |
| Purchase of equipment | (757,647) | (313,520) | (1,380,475) |
| Restricted cash | <u>(154,458)</u> | <u>(137,667)</u> | <u>(158,958)</u> |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | <u>(2,980,967)</u> | <u>(2,902,265)</u> | <u>(7,071,394)</u> |
| (DECREASE) INCREASE IN CASH AND | | | |
| CASH EQUIVALENTS | (6,428,776) | 8,133,598 | 2,654,677 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>9,083,453</u> | <u>3,597,009</u> | <u> </u> |
| | | = | |

| | | | |
|---|--------------------|---------------------|--------------------|
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$2,654,677</u> | <u>\$11,730,607</u> | <u>\$2,654,677</u> |
|---|--------------------|---------------------|--------------------|

CASH AND CASH EQUIVALENTS
CONSIST OF:

| | | | |
|---------------|--------------------|---------------------|--------------------|
| Cash in bank | \$655,458 | \$48,810 | \$655,458 |
| Term deposits | <u>1,999,219</u> | <u>11,681,797</u> | <u>1,999,219</u> |
| | <u>\$2,654,677</u> | <u>\$11,730,607</u> | <u>\$2,654,677</u> |

SUPPLEMENTAL CASH FLOW INFORMATION AND

NONCASH INVESTING AND FINANCING ACTIVITIES (Note 11)

The accompanying notes are an integral part of these consolidated financial statements.

9

URANIUM ENERGY CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2008 (Unaudited)

NOTE 1: NATURE OF OPERATIONS

Uranium Energy Corp. (the "Company") was incorporated on May 16, 2003 in the State of Nevada. The Company owns a 100% interest in UEC Resources Ltd. ("UEC Resources"), a private company incorporated in the province of British Columbia, Canada on December 21, 2007. Since November 1, 2004, the Company has acquired mineral leases and entered into joint venture agreements, directly and under options, for the purposes of exploring for economic deposits of uranium in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming. To April 30, 2008 interests in approximately 70,672 net acres of mineral properties have been staked, leased or are under option by the Company.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The Company commenced operations on May 16, 2003 and has not realized any significant revenues since inception. As at April 30, 2008, the Company has working capital of \$2,419,585 and an accumulated deficit of \$35,610,091. Existing cash resources are currently not expected to provide sufficient funds through the upcoming year, the capital expenditures required to achieve planned principal operations may be substantial. The continuation of the Company as

a going concern is dependent upon the ability of the Company to obtain necessary financing to continue operations. The Company is in the exploration stage of its mineral property development and to date has not yet established any proven mineral reserves on its existing properties. The continued operations of the Company and the recoverability of the carrying value of its assets is ultimately dependent upon the ability of the Company to achieve profitable operations. To date, the Company has completed private placements and received funding through the exercise of stock options and share purchase warrants for net proceeds of \$31,387,881 from the issuance of shares of the Company's common stock.

Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the seven months ended July 31, 2007 (as restated, see Note 13) included in the Company's Transition Report on Form 10-KSB, as amended, filed with the Securities and Exchange Commission. The interim unaudited consolidated financial statements should be read in conjunction with those financial statements included in the Form 10-KSB, as amended. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the nine months ended April 30, 2008 are not necessarily indicative of the results that may be expected for the year ending July 31, 2008.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements include the accounts of Uranium Energy Corp. (incorporated in the State of Nevada, USA) and its wholly-owned subsidiary, UEC Resources Ltd. (incorporated in the province of British Columbia, Canada). All significant inter-company transactions and balances have been eliminated upon consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less at the time of issuance to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions are determining the fair value of transactions involving common stock, valuation and impairment losses on mineral

property acquisitions, valuation of stock-based compensation, and valuation of available-for-sale securities. Other areas requiring estimates include allocations of expenditures to resource property interests and depreciation of property and equipment. Actual results could differ from those estimates.

Mineral Property Costs

The Company is primarily engaged in the acquisition, exploration and development of mineral properties.

Mineral property acquisition costs are initially capitalized as tangible assets when purchased. At the end of each fiscal quarter end, the Company assesses the carrying costs for impairment. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

Mineral property exploration costs are expensed as incurred.

Estimated future removal and site restoration costs, when determinable are provided over the life of proven reserves on a units-of-production basis. Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. Any charge is included in exploration expense or the provision for depletion and depreciation during the period and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

As of the date of these consolidated financial statements, the Company has not established any proven or probable reserves on its mineral properties and incurred only acquisition and exploration costs.

Databases

Costs related to internally developed databases are expensed as incurred. Costs of acquired mineral property databases are capitalized upon acquisition. Mineral property databases are tested for impairment whenever events or changes indicate the carrying value amount may not be recoverable. An impairment loss is recognized if it is determined that the carrying amount is not recoverable and exceeds fair value. Mineral property databases are amortized over five years using the straight-line method.

Restoration and Remediation Costs (Asset Retirement Obligations)

Various federal and state mining laws and regulations require the Company to reclaim the surface areas and restore underground water quality for its mine projects to the pre-existing mine area average quality after the completion of mining. In August 2001, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which established a uniform methodology for accounting for estimated reclamation and abandonment costs.

Future reclamation and remediation costs are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at each project. Such estimates are determined by the Company's engineering studies calculating the cost of future surface and groundwater activities.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate.

Financial Instruments

The fair values of cash and cash equivalents, restricted cash, other current monetary assets, accounts payable and accrued liabilities were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The Company's operations and financing activities are conducted primarily in United States dollars, and as a result the Company is not subject to significant exposure to market risks from changes in foreign currency rates. Management has determined that the Company is not exposed to significant credit risk.

Loss per Common Share

Basic loss per share includes no dilution and is computed by dividing loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings (loss) of the Company. The common shares potentially issuable on conversion of outstanding convertible debentures and exercise of stock options were not included in the calculation of weighted average number of shares outstanding because the effect would be anti-dilutive.

Foreign Currency Translation

The functional currency of the Company is United States dollars. UEC Resources Ltd. maintains its accounting records in their local currency (Canadian dollar). In accordance with SFAS No. 52, "Foreign Currency Translation", the financial statements of the Company's subsidiary is translated into United States dollars using period end exchange rates as to monetary assets and liabilities and average exchange rates as to revenues and expenses. Non-monetary assets are translated at their historical exchange rates. Net gains and losses resulting from foreign exchange translations and foreign currency exchange gains and losses on transactions occurring in a currency other than the Company's functional currency are included in the determination of net income in the period.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax balances. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to the taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. As at April 30, 2008 the Company had net operating loss carry forwards; however, due to the uncertainty of realization, the Company has provided a full valuation allowance for the potential deferred tax assets resulting from these losses carry forwards.

Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. The Company uses the Black-Scholes-Merton ("BSM") option-pricing

model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006 the first day of the Company's fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123. On a quarterly basis, the Company estimates expected forfeitures and updates the valuation accordingly.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. The Company applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

Property and Equipment

Property and equipment are recorded at cost and are amortized using the straight-line method over their estimated useful lives at the following rates:

| | |
|------------------------|---------------|
| Computer Equipment | 3 years |
| Exploration Equipment | 5 years |
| Furniture and Fixtures | 5 years |
| Leasehold Improvements | term of lease |
| Vehicles | 5 years |

Recent Accounting Pronouncements

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 157 on its financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing

the impact of SFAS No. 159 on its financial position and results of operations.

In February 2008, the FASB released FSP No. FAS 157-2. FSP No. FAS 157-2 defers the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. It does not defer recognition and disclosure requirements for financial assets and financial liabilities, or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually.

NOTE 3: RESTRICTED CASH

Restricted cash included certificates of deposit issued to the Wyoming Department of Environmental Quality, Land Quality Division, in lieu of a surety bond. The certificates of deposit accrue interest at 3.5% and 3.75% per annum, are automatically renewable and are protected by federal insurance up to \$100,000. During the nine months ended April 30, 2008, the Company transferred certificates of deposits from the AB Claims project in the total aggregate amount of \$136,458 under the same terms as above for drill hole reclamation bonding on the Burnt Wagon exploration project, Natrona county, Wyoming. Additionally, the Company has placed additional deposits of \$18,000 with the Arizona State Land Department pursuant to exploration activities in the State of Arizona.

NOTE 4: AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities consist of shares in a publicly traded company listed on the Toronto and Johannesburg Stock Exchanges. During the nine months ended April 30, 2008 the Company realized a \$34,168 gain on the disposal of available-for-sale securities. As of April 30, 2008 the Company reported the available-for-sale securities at market value and accordingly, recorded a \$11,030 unrealized gain which has been reported in other comprehensive income, net of income taxes.

NOTE 5: MINERAL EXPLORATION PROPERTIES

Uranium Exploration

Since November 1, 2004, the Company has been acquiring mineral leases for the purpose of exploring for economic deposits of uranium in the states of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming.

As of April 30, 2008, a total of 80,904 gross acres (70,672 net mineral acres) of mineral properties have been staked, leased or optioned pursuant to agreements by the Company in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming for the purposes of uranium exploration for a total cost of \$4,966,438 plus \$8,207,500 representing the fair value of non-cash compensation, for a cumulative cost of \$13,173,938. The totals include 3,291 net acres (6,717 gross acres leased by Cibola Resources LLC of which the Company holds a 49% interest). These leases are subject to varying royalty interests, some of which are indexed to the sale price of uranium. As of April 30, 2008, total yearly recurring maintenance payments of \$324,501 are required to maintain existing mineral leases.

On October 11, 2005, the Company entered into a mineral asset option agreement (the "Moore Option") granting the Company the option to acquire certain mineral property leases in the State of Texas for total consideration of \$200,000 and 3,000,000 post-split restricted common shares at a fair value of \$0.33 per share. In consideration for the Moore Option and its partial exercise over the option term, the Company has made cash payments totaling \$200,000 and issued 3,000,000 post-split shares of restricted common stock. Upon completion of the terms of the Moore Option title to the leases were transferred to the Company.

Acquisition costs for the Moore Option total \$8,407,500 as of April 30, 2008 and include the following: (i) cash payments of \$200,000, (ii) 750,000 restricted common shares issued on October 11, 2005 with a fair value of \$250,000, (iii) 500,000 restricted common shares issued on April 10, 2006 with a fair value of \$1,150,000, (iv) 250,000 restricted common shares issued on September 28, 2006 with a fair value of \$462,500, (v) 750,000 restricted common shares issued on October 10, 2006 with a fair value of \$975,000, and (vi) 750,000 restricted common shares issued on April 11, 2007 with a fair value of \$5,370,000. Additionally, the Company has incurred \$275,938 in other mineral right and property acquisition charges on the Goliad project, for a cumulative cost of \$8,683,438 as of April 30, 2008.

Holley Option

On March 28, 2007 the Company entered into a letter option agreement (the "Holley Option") granting the Company the option to acquire certain mineral property leases, which are located in the States of Colorado, New Mexico, and Utah, together with certain historical database records for total consideration of \$1,594,690. Under the terms of the Holley Option, and in order to maintain its option to acquire the assets, the Company is required to make the following option payments totaling \$1,500,000 to the order and direction of the Holley Option holders in the following manner:

- (a) an initial payment of \$25,000 on the execution date (paid);
- (b) a payment of \$100,000 on March 28, 2007 (paid);
- (c) a payment of \$475,000 on or before April 27, 2007 (paid);
- (d) a further payment of \$500,000 on or before April 27, 2008 (paid subsequently); and
- (e) a final payment of \$400,000 on or before April 27, 2009.

Upon execution of the Holley Option the Company also reimbursed the Holley Option holders with approximately \$95,000 in prior regulatory fees and property payments. In addition, the Company will be required to pay a royalty of 2% or 3% of the gross proceeds received from the sale of any uranium or vanadium produced in relation to any mineral claim covered under the Holley Option and, at any time during the option period or thereafter, the Company may elect to purchase the royalty interest at a base cost of \$300,000 for each 1% interest it wishes to acquire. Additionally, the Company has incurred \$11,665 in other mineral right and property acquisition charges related to the Holley Option, for a cumulative cost of \$706,426 as of April 30, 2008.

Cibola Resources LLC

On April 27, 2007, with a reference date of April 26, 2007, the Company entered into a joint venture with Neutron Energy Inc. ("NEI"), a Wyoming corporation, in connection with the exploration of a property covering 6,717 acres located in Cibola County, New Mexico (the "Property") for uranium resources. In connection with the joint venture, Cibola Resources LLC ("Cibola"), a limited liability company under the laws of the State of Delaware, was formed to undertake the exploration activities as contemplated by the parties.

NEI acquired a ten year mining lease (the "Lease") to the Property from La Merced del Pueblo de Cebolleta ("Cebolleta"), a private entity that has the authority over the natural resources of the Property, pursuant to a Mining Lease and Agreement between Cebolleta and NEI effective April 6, 2007 (the "Mining Lease Agreement"), and has contributed the Lease to Cibola. Terms of the Lease provide for:

- (a) initial payments of \$3,000,000 (paid by NEI, of which 49% was reimbursed to NEI by the Company);
- (b) an additional cash payment of \$2,000,000 six months from the effective date of the Lease (\$980,000 paid, being the Company's portion);
- (c) every year after April 6, 2007 until uranium production begins, an advance royalty of \$500,000 (to be deducted from any royalties paid in that same year);
- (d) a recoverable reserve payment of \$1 per pound of recoverable uranium reserves upon the completion of a feasibility study by an independent mining engineering firm, which will be reduced by all prior payments as described in clause (a) through (c) above;
- (e) a production royalty of between 4.50% and 8.0% depending upon the sale price of uranium; and
- (f) the funding of a \$30,000 per year scholarship program.

14

The Company has reimbursed an aggregate of \$2,450,000 to NEI (49%) of the capital invested to date. As a result, NEI and the Company hold a 51% and 49% interest, respectively, in Cibola and the Company is obligated to pay 49% of all future commitments under the terms of the Lease. Additionally, the Company has paid \$119,137 in exploration costs on behalf of Cibola for a cumulative contribution of \$2,569,137. As an exploration stage company, Cibola has no liabilities as of January 31, 2008 and accordingly, \$2,450,000 in mineral right and property acquisition costs in addition to \$36,750 in database acquisition costs have been capitalized while other contributions of exploration costs have been charged to mineral property expenditures.

In December 2003, FASB issued FIN 46(R) "Consolidation of Variable Interest Entities" which requires investors to consolidate the financial information of investees in which they are the primary beneficiary. The Company is not the primary beneficiary in Cibola and accordingly, no consolidated financial information is required.

New River Project

Effective November 1, 2007, the Company entered into a binding letter Agreement to Purchase Assets (the "Agreement") with Melvin O. Stairs, Jr. ("Mr. Stairs"), whereby the Company acquired from Mr. Stairs an undivided 100% legal, beneficial and registered interest in and to a certain mineral exploration claim represented by permit number 08-111678, which is located at T7N R3E, Section 32, in Maricopa County, Arizona (the "Mineral Claim"), together with a certain database containing various material information respecting the subject Mineral Claim (the Mineral Claim and its database, collectively, the "Assets"). As consideration for acquisition of the Assets, the Company has agreed to make the following payments (each a "Purchase Price Payment") and the following Mineral Claim maintenance payments (each a "Purchase Price Maintenance Payment") to Mr. Stairs in the following manner at the following times after November 1, 2007 (the "Acceptance Date"):

- (a) Purchase Price Payments: pay to the order and direction of Mr. Stairs the following Purchase Price Payments in the aggregate sum of U.S. \$1,200,000 in the following manner and at the following

times:

- i) an initial and non-refundable Purchase Price Payment of U.S. \$10,000 immediately upon the Acceptance Date of the Agreement (paid);
 - ii) further non-refundable Purchase Price Payments of U.S. \$95,000 on or before January 10, 2008 (paid) and August 15, 2008; and
 - iii) further non-refundable Purchase Price Payments of U.S. \$100,000 every six months commencing on or before January 10, 2009 and ending August 15, 2013.
- (b) Purchase Price Maintenance Payments: pay, or cause to be paid, all outstanding, existing and future underlying regulatory and governmental fees, payments and assessment work required to keep the Mineral Claim interests comprising the Assets in good standing during the continuance of the Agreement and prior to our satisfaction of the entire Purchase Price consideration and including, without limitation, all permitting costs, transfer fees and any reclamation costs associated in any manner with the Mineral Claim interests comprising the Assets.

Pursuant to the terms of the Agreement, in order to secure the complete and timely payment of our purchase price obligations to Mr. Stairs under the Agreement, the Company granted a security interest in and to, a lien upon and a right of set-off against its right, title and interest in and to the Assets.

In addition, and pursuant to the terms of the Agreement, at any time prior to the earlier of the payment of the entire Purchase Price by us to Mr. Stairs or the termination of the Agreement for any reason, the Company has a right of first refusal to acquire all or any portion of any interest in the Agreement or to any mineral property interest which Mr. Stairs may have an interest in at anytime and which Mr. Stairs desires to dispose of (collectively, the "Holding"). If Mr. Stairs receives a *bona fide* offer to purchase from, or where a sale is solicited by Mr. Stairs, then upon settling the proposed terms thereof with a third party for the purchase or sale of the Holding, Mr. Stairs shall offer to sell the Holding to the Company. The offer to sell to the Company shall be on the same terms and conditions and of equivalent dollar value as those contained in the offer to the third party; provided, however, that should Mr. Stairs and the Company fail to agree upon a determination of the equivalent dollar value for any such offer, such equivalent dollar value shall be determined by arbitration under the provisions of the Agreement. The Company shall be entitled to elect, by notice to Mr. Stairs within 30 calendar days from the date of receipt of the offer to sell, to acquire the Holding, on the same terms and conditions as those set forth in the offer to the third party. If the Company does not exercise its right to acquire the Holding, Mr. Stairs may, for a period of 60 calendar days following the last date upon which it could have made the election, dispose of the Holding, but only on the same terms and conditions as set forth in that offer.

Additionally, the Company has incurred \$16,400 in other mineral right and property acquisition charges on the New River project, for a cumulative cost of \$121,400 as of April 30, 2008.

F-33 Acquisition (Todilto)

On November 13, 2007, the Company entered into an agreement to acquire certain mineral property leases located in Cibola County, New Mexico for total consideration of \$400,000. Under the terms of the agreement, the Company paid an initial deposit of \$100,000 upon closing with the remaining balance due in three installments of \$100,000 due on March 31, 2008 (paid), December 31, 2008, and December 31, 2009. At the Company's option, the final two installments may be paid in stock, based on the average trading price of its common stock over the 10 days immediately preceding the due date. Additionally, the Company has incurred \$61,681 in other mineral right and

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property acquisition charges on the Todilto project, for a cumulative cost of \$261,681 as of April 30, 2008.

| | <u>April 30, 2008</u> | July 31, 2007 (As Restated, see Note 13) |
|--|-----------------------|--|
| Mineral Rights and Properties, Unproven | | |
| Cibola Resources, New Mexico | 2,450,000 | 1,470,000 |
| Goliad, Texas | 8,683,438 | 8,625,568 |
| Holley Option, Colorado, New Mexico and Utah | 706,426 | 694,761 |
| New River, Arizona | 121,400 | - |
| Todilto, New Mexico | 261,681 | - |
| Other Property Acquisitions | <u>950,993</u> | <u>728,519</u> |
| | 13,173,938 | 11,518,848 |
| Write Down for Loss on Impairment | <u>(55,640)</u> | <u>(55,640)</u> |
| | <u>\$13,118,298</u> | <u>\$11,463,208</u> |

Mineral property exploration costs on a regional basis are as follows:

| | Three Months Ended <u>April 30,</u> <u>2008</u> | Three Months Ended <u>April 30,</u> <u>2007</u> | Nine Months Ended <u>April 30,</u> <u>2008</u> | Nine Months Ended <u>April 30,</u> <u>2007</u> | For the Period From May 16, 2006 (inception) to <u>April 30, 2008</u> |
|-------------------|---|---|---|---|---|
| Exploration Costs | | | | | |
| Arizona | \$100 | \$ - | \$16,442 | \$ 28 | \$93,382 |
| Colorado | 72,320 | 7,605 | 124,405 | 7,605 | 175,430 |

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| | | | | | |
|------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Nevada | - | - | - | - | 963 |
| New Mexico | 1,632 | 103,197 | 132,151 | 122,748 | 367,501 |
| Texas | 1,712,065 | 1,358,308 | 4,473,830 | 2,647,304 | 8,257,039 |
| Utah | 1,529 | - | 10,520 | - | 17,877 |
| Wyoming | <u>16,031</u> | <u>30,440</u> | <u>326,956</u> | <u>238,567</u> | <u>879,129</u> |
| | <u>\$1,803,677</u> | <u>\$1,499,550</u> | <u>\$5,084,304</u> | <u>\$3,016,252</u> | <u>\$9,791,321</u> |

Historical Mining Databases

April 30, 2008 July 31, 2007

Mineral Property Databases

| | | |
|--------------------------|--------------------|------------------|
| Moore | 141,890 | 141,890 |
| Jebsen/Triantis | 50,000 | 50,000 |
| Brenniman | 209,000 | 209,000 |
| Halterman | 166,500 | 166,500 |
| Peirce | 36,750 | 36,750 |
| Jebsen | 100,000 | |
| Tronox, LLC | <u>500,000</u> | <u>-</u> |
| | 1,204,140 | 604,140 |
| Accumulated Amortization | <u>(181,912)</u> | <u>(67,957)</u> |
| | <u>\$1,022,228</u> | <u>\$536,183</u> |

| | <u>April 30, 2008</u> | July 31, 2007 (As Restated, see Note 13) |
|--------------------------------|-----------------------|--|
| Property and Equipment | | |
| Computer Equipment | \$235,974 | \$98,897 |
| Exploration Equipment | 232,322 | 126,951 |
| Furniture and Fixtures | 58,388 | 43,723 |
| Land | 175,144 | - |
| Leasehold Improvements | 8,728 | 8,728 |
| Vehicles | <u>669,919</u> | <u>344,529</u> |
| | 1,380,475 | 622,828 |
| Less: accumulated depreciation | <u>(229,209)</u> | <u>(69,298)</u> |
| | <u>\$1,151,266</u> | <u>\$553,530</u> |

NOTE 7: DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

During the nine months ended April 30, 2008, the Company had transactions with certain officers and directors of the Company as follows:

- (a) incurred \$620,536 in management fees, and recorded \$2,019,250 in stock based compensation for the fair value of options granted to directors and officers during the period;
- (b) incurred \$10,320 in general and administrative costs to be reimbursed by companies controlled by direct family members of current officer and a current director; and
- (c) incurred \$66,412 in consulting fees and \$67,175 in general and administrative costs, including \$25,528 in rental charges and \$16,615 in media and website development fees, paid to companies controlled by a direct family member of a current officer.

All related party transactions involving provision of services or tangible assets were recorded at the exchange amount, which is the value established and agreed to by the related parties reflecting arms length consideration payable for similar services or transfers.

NOTE 8: CAPITAL STOCK

Share Capital

The Company's capital stock as at April 30, 2008 was 750,000,000 authorized common shares with a par value of \$0.001 per share. On January 9, 2006, a majority of shareholders voted to amend the Company's Articles of Incorporation to increase the authorized capital from 75,000,000 shares of common stock to 750,000,000 shares of common stock. The increase in authorized capital was effective on February 1, 2006.

On February 14, 2006, the Company's Board of Directors, pursuant to minutes of written consent in lieu of a special meeting, authorized and approved a forward stock split on a 1.5 new for one old basis of the Company's total issued and outstanding shares of common stock (the "Forward Stock Split"). The Forward Stock Split was effectuated with a record date of February 28, 2006, upon filing the appropriate documentation. The Forward Stock Split increased the Company's issued and outstanding shares of common stock from 14,968,222 to approximately 22,452,338 shares of common stock. The common stock continued to have a \$0.001 par value after the Forward Stock Split.

2008 Share Transactions

On December 12, 2007 the Company completed a private placement in the amount of 1,800,000 Units at a subscription price of \$3.75 for gross proceeds to the Company of \$6,750,000. Each Unit is comprised of one common share and one non-transferable share purchase warrant of the Company. Each warrant entitles the holder to purchase an additional common share of the Company for a period of one year from the date of issuance at an exercise price of \$4.25 per share.

17

The December 12, 2007 private placement included a registration rights agreement, requiring a registration statement respecting the investors' securities within the Company declared effective by the SEC within four months from the original date of issuance by the Company of the securities underlying the original subscription agreements. Under the terms of the registration rights agreement, the Company shall use its reasonable best efforts to maintain the effectiveness of the registration statement for a period of not less than three years from the original date of issuance. If the Company fails to maintain the effectiveness of the registration statement for the three year period, additional warrants could be issuable as liquidated damages. Any additional warrant issuance is provided for under the terms of the registration rights agreement whereby 1/100 of an additional warrant was issuable to each such investor for each \$1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. As of April 30, 2008 1,957,500 additional warrants could be issuable as liquidated damages through the three year period expiring December 12, 2010.

On November 6, 2007 the Company issued 10,000 restricted common shares pursuant to a financial consulting agreement (refer to Note 10). At the time of issuance, the shares had a value of \$4.46 per share and \$44,600 was recorded as stock-based consulting fees. On January 24, 2008 the Company issued 7,500 restricted common shares pursuant to the same agreement. At the time of issuance, the shares had a value of \$2.42 per share and \$18,150 was recorded as stock-based consulting fees. Additionally, on April 30, 2008 the Company issued 7,500 restricted common shares pursuant to the same agreement. At the time of issuance, the shares had a value of \$2.42 per share and \$18,150 was recorded as stock-based consulting fees.

During the nine months ended April 30, 2008 48,235 common share purchase warrants were exercised for total proceeds of \$137,755 and 330,000 common stock options were exercised for total proceeds of \$206,667.

Share Purchase Warrants

On June 15, 2007 the Company issued to certain investors an aggregate of 59,998 non-transferable common share purchase warrants to acquire an equivalent number of common shares of the Company pursuant to the investors' respective December 22, 2006 private placement subscription agreements with the Company. These warrants were issued as liquidated damages resulting from the delay in not having a registration statement respecting the investors' securities within the Company declared effective by the SEC within four months from the original date of issuance by the Company of the securities underlying the original subscription agreements. This additional warrant issuance was provided for under the terms of the original subscription agreements whereby 1/100 of an additional warrant was issuable to each such investor for each \$1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. Each resulting warrant now entitles the holder thereof to purchase an additional share of the Company's restricted common stock under the same terms as the original warrants issued at the closing of the private placement in December of 2006. Under the terms of the subscription agreements, the Company shall use its reasonable best efforts to maintain the effectiveness of the registration statement for a period of not less than nine months from the June 15, 2007 effective date. If the Company failed to maintain the effectiveness of the registration statement for a period of eight months from the initial deadline of April 22, 2007, additional warrants could be issuable. As of April 30, 2008 no additional warrants are issuable as liquidated damages through the eight month period expired December 22, 2007.

On April 12, 2008 the Company issued to certain investors an aggregate of 67,480 non-transferable common share purchase warrants to acquire an equivalent number of common shares of the Company pursuant to the investors' respective December 12, 2007 private placement subscription agreements with the Company. These warrants were issued as liquidated damages resulting from the delay in not having a registration statement respecting the investors' securities within the Company declared effective by the SEC within four months from the original date of issuance by the Company of the securities underlying the original subscription agreements. This additional warrant issuance was provided for under the terms of the original subscription agreements whereby 1/100 of an additional warrant was issuable to each such investor for each \$1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. Each resulting warrant now entitles the holder thereof to purchase an additional share of the Company's restricted common stock under the same terms as the original warrants issued at the closing of the private placement in December of 2007. Under the terms of the subscription agreements, the Company shall use its reasonable best efforts to maintain the effectiveness of the registration statement for a period of not less than three years from the original date of issuance. As of April 30, 2008 2,092,500 additional warrants could be issuable as liquidated damages through the three year period expiring December 12, 2010.

A summary of the Company's common share purchase warrants as of April 30, 2008 and changes during the period is presented below:

18

| | Number of <u>warrants</u> | Weighted average <u>exercise price</u> | Weighted average remaining <u>life (years)</u> |
|------------------------|------------------------------|---|--|
| Balance, July 31, 2007 | 4,009,998 | \$2.66 | 1.70 |

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| | | | |
|---------------------------|------------------|---------------|---------------|
| Issued | 1,867,480 | 4.25 | 1.00 |
| Exercised | <u>(48,235)</u> | <u>(2.86)</u> | <u>(0.50)</u> |
| Balance, January 31, 2008 | <u>5,829,243</u> | <u>\$3.17</u> | <u>0.94</u> |

The aggregate intrinsic value ("AIV") under the provisions of SFAS No. 123R of the 500,000 compensation warrants previously issued to consultants as at April 30, 2008 was estimated at \$710,000.

Stock Options

On December 19, 2005 the Board of Directors of the Company ratified, approved and adopted a Stock Option Plan for the Company in the amount of 5,250,000 shares at \$0.333 per share. On April 10, 2006 the Company amended its 2005 Stock Option Plan whereby, subject to adjustment from time to time as provided in Article 11.1, whereby the number of common shares available for issuance under the Plan was increased from 5,250,000 shares to 7,500,000 shares. On October 10, 2006 the Company ratified the 2006 Stock Incentive Plan whereby, subject to adjustment from time to time as provided in Article 18.1, the number of common shares available for issuance under the Plan was increased to 10,000,000 shares.

On November 1, 2007 a total of 660,000 stock options were granted to employees and a director at an exercise price of \$3.80 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$1,762,200 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 4.33%, a dividend yield of 0%, and an expected volatility of 87%. During the nine months ended April 30, 2008, the \$1,014,600 value of the options earned during the period has been recorded as stock based consulting fees, management fees, and wages.

On January 25, 2008 a total of 100,000 stock options were granted to an employee and a consultant at an exercise price of \$2.45 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$162,000 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 3.50%, a dividend yield of 0%, and an expected volatility of 80%. During the nine months ended April 30, 2008, the \$48,600 value of the options earned during the period has been recorded as stock based consulting fees.

On February 11, 2008 a total of 65,000 stock options were granted to consultants at an exercise price of \$2.68 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$125,450 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 3.00%, a dividend yield of 0%, and an expected volatility of 92%. During the three nine ended April 30, 2008, the \$38,520 value of the options earned during the period has been recorded as stock based consulting fees.

On April 7, 2008 a total of 1,150,000 stock options were granted to employees, directors and officers at an exercise price of \$2.50 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$1,874,500 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 2.23%, a dividend yield of 0%, and an expected volatility of 80%. During the three nine ended April 30, 2008, the \$1,787,907 value of the options earned during the period has been recorded as stock based management fees and wages.

A summary of the Company's stock options as of April 30, 2008 and changes during the period is presented below:

| <u>Number of options</u> | <u>Weighted average exercise price</u> | <u>Weighted average remaining</u> |
|--------------------------|--|-----------------------------------|
|--------------------------|--|-----------------------------------|

| | | | <u>life (years)</u> |
|---------------------------|------------------|---------------|---------------------|
| Balance, July 31, 2007 | 3,832,500 | \$1.44 | 8.90 |
| Issued | 1,975,000 | 3.62 | 10.00 |
| Exercised | <u>(330,000)</u> | <u>(0.83)</u> | <u>(8.46)</u> |
| Balance, January 31, 2008 | <u>5,477,500</u> | <u>\$2.03</u> | <u>8.70</u> |

The AIV under the provisions of SFAS No. 123R of all outstanding options at April 30, 2008 was estimated at \$4,731,950. Additionally, the AIV of options exercised during the nine months ended April 30, 2008 was estimated at \$872,733.

Stock Based Compensation

A summary of stock based compensation expense as of April 30, 2008:

19

| | Nine Months Ended <u>April 30, 2008</u> | Nine Months Ended <u>April 30, 2007</u> | For the Period From May 16, 2003 (inception) to <u>October 31, 2007</u> |
|---|---|---|---|
| Stock Based Consulting | | | |
| Amortization of deferred compensation | \$ - | \$1,118,259 | \$1,157,500 |
| Common stock issued for consulting services | 110,525 | 55,125 | 191,500 |
| Options issued to consultants | 392,779 | 679,002 | 3,589,811 |
| Warrants issued for consulting services | <u>—</u> | <u>—</u> | <u>1,618,526</u> |
| | <u>503,304</u> | <u>1,852,386</u> | <u>6,557,337</u> |

Stock Based Management Fees

| | | | |
|---------------------------------------|------------------|------------------|------------------|
| Amortization of deferred compensation | - | 325,000 | 650,000 |
| Options issued to management | <u>2,019,250</u> | <u>2,047,753</u> | <u>4,067,003</u> |
| | <u>2,019,250</u> | <u>2,372,753</u> | <u>4,717,003</u> |

Stock Based Wages and Benefits

| | | | |
|-----------------------------|--------------------|--------------------|---------------------|
| Options issued to employees | <u>1,028,446</u> | <u>667,291</u> | <u>1,695,737</u> |
| | <u>\$3,551,000</u> | <u>\$4,892,430</u> | <u>\$12,970,077</u> |

NOTE 9: INCOME TAXES

As of April 30, 2008 the Company had net operating loss carry forwards of approximately \$26,896,179 that may be available to reduce future years' taxable income. These carry forwards will begin to expire, if not utilized, commencing in 2023. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry forwards.

The Company reviews its valuation allowance requirements on an annual basis based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance is generally reflected in current income.

A reconciliation of income tax computed at the federal and state statutory tax rates and the Company's effective tax rate is as follows:

| | Nine Months Ended <u>April 30, 2008</u> | Nine Months Ended <u>April 30, 2007</u> |
|---|---|---|
| Federal income tax provision at statutory rate | (35.00)% | (35.00)% |
| States income tax provision at statutory rates, net of federal income tax effect | <u>(5.48)%</u> | <u>(5.48)%</u> |
| Total income tax provision | <u>(40.48)%</u> | <u>(40.48)%</u> |

The actual income tax provisions differ from the expected amounts calculated by applying the combined federal and state corporate income tax rates to the Company's loss before income taxes. The components of these differences are

as follows:

| | Nine Months Ended | Nine Months Ended |
|---|-----------------------|-----------------------|
| | <u>April 30, 2008</u> | <u>April 30, 2007</u> |
| Loss before income taxes | \$(14,258,646) | \$(10,568,809) |
| Corporate tax rate | <u>40.48%</u> | <u>40.48%</u> |
| Expected tax expense (recovery) | (5,771,900) | (4,278,254) |
| Increase (decrease) resulting from: | | |
| Permanent differences | 1,354,264 | 1,294,546 |
| True-up adjustment | 1,755 | - |
| Non-qualified stock options | - | - |
| Change in valuation allowance | <u>4,603,756</u> | <u>2,983,708</u> |
| From Operations | 187,875 | - |
| Unrecognized gain, other comprehensive income | <u>(187,875)</u> | ——- |
| Future income tax provision (recovery) | <u>\$ -</u> | <u>\$ -</u> |

20

The Company's deferred tax assets are as follows:

| | <u>April 30, 2007</u> | <u>July 31, 2007</u> |
|-------------------------------|-----------------------|----------------------|
| Deferred tax assets | | |
| Mineral property acquisitions | \$5,727,247 | \$4,782,209 |
| Exploration costs | 2,877,038 | 1,398,264 |

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| | | |
|--|---------------------|---------------------|
| Permitting fees and expenditures | 263,312 | 87,655 |
| Stock option expense | 596,020 | 1,195,355 |
| Depreciable property | 57,606 | 7,230 |
| Charitable donations | 7,475 | 7,475 |
| Loss carry forwards | <u>10,939,053</u> | <u>8,588,468</u> |
| | 20,467,751 | 16,066,656 |
| Valuation allowance | <u>(20,475,241)</u> | <u>(15,871,485)</u> |
| Net Deferred Tax Assets | 7,490 | 195,171 |
| Deferred tax liability, other comprehensive income | <u>(7,490)</u> | <u>(195,171)</u> |
| Net Deferred Income Tax Assets | <u>\$ -</u> | <u>\$ -</u> |

As the criteria for recognizing future income tax assets have not been met due to the uncertainty of realization, a valuation allowance of 100% has been recorded for the current and prior year.

The Company's net operating loss carryforwards expire as follows:

| | |
|---------------|---------------------|
| July 31, 2023 | \$24,132 |
| July 31, 2024 | 74,499 |
| July 31, 2025 | 403,227 |
| July 31, 2026 | 13,037,184 |
| July 31, 2027 | 7,866,184 |
| July 31, 2028 | <u>5,490,953</u> |
| | <u>\$26,896,179</u> |

For U.S. federal income tax purposes a change in ownership under IRC Section 382 may have occurred in a prior year. If an ownership change has occurred, the utilization of these losses against future income would be subject to an annual limitation. The annual limitation would be equal to the value of the Company immediately prior to the change in ownership multiplied by the IRC Section 382 rate in effect during the month of the change.

NOTE 10 COMMITMENTS

On September 6, 2007 the Company entered into an agreement for media distribution services valued at approximately \$270,000. Under the terms of the agreement, the Company paid a retainer of \$100,000, with the balance of the agreement due upon completion of the services. As of April 30, 2008 no services had been provided and accordingly, the \$100,000 retainer is classified as a prepaid expense.

On November 1, 2007 the Company entered into an asset purchase agreement for a mineral exploration claim and related database information located in Maricopa County, Arizona. Under the terms of the agreement, the Company will pay total consideration of \$1,200,000 including i) a \$10,000 deposit upon execution (paid), ii) installments of \$95,000 cash on January 10, 2008 (paid) and August 15, 2008, and iii) installments totaling \$100,000 on January 10 and August 15 of each year for the period from January 10, 2009 through August 15, 2013. Additionally, the Company has granted the seller security interest on the acquired assets until the agreement is paid in full.

On November 13, 2007 the Company entered into an agreement to acquire certain mineral property leases located in Cibola County, New Mexico for total consideration of \$400,000. Under the terms of the agreement, the Company paid an initial deposit of \$100,000 upon closing with the remaining balance due in three installments of \$100,000 due on March 31, 2008 (paid), December 31, 2008, and December 31, 2009. At the Company's option, the final two installments may be paid in stock, based on the average trading price of the Company's common stock over the 10 days immediately preceding the due date.

On January 17, 2008 the Company entered into a twelve month consulting services agreement at \$6,000 per month. The consultant will provide services for legislative, administrative, executive and regulatory matters in the State of Texas. As requested, the consultant may also assist in discussions with appropriate federal executive and legislative officials.

The Company is committed to pay its key executives a total of approximately \$610,000 per year for management services.

21

The Company is currently leasing office premises in New Mexico, Texas, and Wyoming with total monthly payments of \$8,759 with all agreements having a maximum term of no more than three years. Additionally, the Company is renting office space in Vancouver, Canada on a month to month basis at approximately \$4,100 per month.

The aggregate minimum payments over the next five years are as follows:

| | |
|----------------|-----------|
| April 30, 2009 | \$902,138 |
| April 30, 2010 | 417,658 |
| April 30, 2011 | 200,000 |
| April 30, 2012 | 200,000 |
| April 30, 2013 | 200,000 |

| | |
|------------|--------------------|
| Thereafter | <u>100,000</u> |
| | <u>\$2,019,796</u> |

NOTE 11 SUPPLEMENTAL CASH FLOW INFORMATION AND
NONCASH INVESTING AND FINANCING ACTIVITIES

| | Nine Months Ended | |
|-------------------|-----------------------|-----------------------|
| | <u>April 30, 2008</u> | <u>April 30, 2007</u> |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

NOTE 12: SUBSEQUENT EVENTS

(a) On May 12, 2008 the Company issued to certain investors an aggregate of 67,480 non-transferable common share purchase warrants to acquire an equivalent number of common shares of the Company pursuant to the investors' respective December 12, 2007 private placement subscription agreements with the Company. These warrants were issued as liquidated damages resulting from the delay in not having a registration statement respecting the investors' securities within the Company declared effective by the SEC within four months from the original date of issuance by the Company of the securities underlying the original subscription agreements. This additional warrant issuance was provided for under the terms of the original subscription agreements whereby 1/100 of an additional warrant was issuable to each such investor for each \$1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. Each resulting warrant now entitles the holder thereof to purchase an additional share of the Company's restricted common stock under the same terms as the original warrants issued at the closing of the private placement in December of 2007. Under the terms of the subscription agreements, the Company shall use its reasonable best efforts to maintain the effectiveness of the registration statement for a period of not less than three years from the original date of issuance.

NOTE 13: RESTATEMENT

Subsequent to the issuance of the Company's financial statements, the Company's Board of Directors, upon recommendation of management, concluded that the previously issued financial statements for the seven months ended July 31, 2007 and fiscal year ended December 31, 2006 should not be relied upon due to a re-evaluation of the accounting treatment relating to the Company's mineral rights and properties and databases acquisition costs, in

addition to the identification of errors in recording database related transactions.

At each reporting period the Company performed an impairment analysis of any capitalized acquisition costs of its mineral properties. As none of its properties contained proven and probable reserves that were independently quantified and valued, management assessed that future cash flows could not be determined and, accordingly, the Company wrote down the carrying value of the capitalized acquisition costs of its mineral properties as of the end of each reporting period.

22

The capitalized costs of mineral rights and properties were acquisition costs that were accounted for as tangible assets pursuant to EITF 04-02, *Whether Mineral Rights are Tangible or Intangible Assets*. The allocation to tangible assets as a result of the acquisition included economic value beyond the acquired assets proven and probable reserves. The capitalized costs of databases were acquisition costs that were accounted for as intangible assets.

In carrying out its subsequent impairment tests, the Company did not consider data beyond proven and probable reserves and did not consider the information and data used in determining the initial capitalization of acquisition costs.

Pursuant to EITF 04-03, *Mining Assets: Impairment and Business Combinations*, the Company has reconsidered its impairment analysis and has now included the cash flows associated with value beyond proven and probable reserves in estimating future cash flows (both undiscounted and discounted) used for determining whether mining assets were impaired under SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company has re-evaluated the impairment analyses performed at each respective period using all historical information including value beyond proven and probable reserves and has determined the capitalized costs of mineral properties should not have been written off.

Additionally, in reviewing the database related transactions the Company identified the following errors: (i) cash and stock based expenditures which were initially capitalized with other acquisition costs were not capital in nature and should have been charged to mineral property expenditures, (ii) cash and stock based proceeds from the sale of a portion of one of the Company's database acquisitions was initially recorded as a reduction of capitalized costs and should have been recognized as an asset sale transaction, and (iii) depreciation was not recorded on capitalized database acquisitions. Accordingly, the financial statements have been restated to correct for the errors outlined above.

As a result the financial statements have been restated to reflect certain capitalized acquisition costs and the correction of errors in recording database related transactions as follows:

| Amount Previously Reported for the Seven Months Ended | <u>Adjustments</u> | As Adjusted for the Seven Months Ended |
|---|--------------------|--|
| <u>July 31, 2007</u> | | <u>July 31, 2007</u> |

Balance Sheets

| | | | |
|--|---------------------|-------------------|---------------------|
| Mineral Rights and Properties | \$ - | \$11,463,208 | \$11,463,208 |
| Databases | - | 536,183 | 536,183 |
| Deficit accumulated during the exploration stage | | | |
| Opening balance | (16,969,779) | 3,850,758 | (13,119,021) |
| Net loss for the period | (16,193,375) | 8,148,632 | (8,044,743) |
| Closing balance | <u>(33,163,154)</u> | <u>11,999,390</u> | <u>(21,163,764)</u> |

Item 2. Management's Discussion and Analysis or Plan of Operations

In this Quarterly Report, references to "we," "our," "us," the "Company," or "Uranium Energy," refer to Uranium Energy Corp. and its subsidiaries, unless the context requires otherwise. Our financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

The following discussion should be read in conjunction with (i) our Annual Report on Form 10-KSB for the year ended December 31, 2006, including our audited financial statements and the related notes contained therein; (ii) our Transition Report on Form 10-KSB for the period ended July 31, 2007, as amended, including our restated audited financial statements and the related notes contained therein; and (iii) our unaudited interim financial statements for the three-month period April 30, 2008 and the related notes included herein. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements.

GENERAL

We were organized under the laws of the State of Nevada, USA on May 16, 2003. Our shares of common stock commenced trading on the American Stock Exchange under the symbol "UEC" on September 28, 2007, prior to which they traded on the OTC Bulletin Board under the symbol "URME".

OUR BUSINESS OPERATIONS

We are a natural resource exploration and development company engaged in the exploration and development of properties that may contain uranium minerals in the United States. Our strategy is to acquire properties that are thought to contain economic quantities of uranium ore and have undergone some degree of uranium exploration but have not yet been mined. As of the date of this Quarterly Report, we have acquired interests in uranium exploration mineral properties totaling 80,904 gross acres (70,673 net mineral acres) of leased, staked or optioned mineral properties, consisting of claim blocks located in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming, which we intend to explore for economic deposits of uranium. The totals include 3,291 net acres (6,717 gross acres) leased by Cibola Resources LLC in which the Company holds a 49% interest. These leases are subject to

varying royalty interests, some of which are indexed to the sale price of uranium. Many of these properties have been the subject of historical exploration by other mining companies. We believe that our properties are prospective for mineral exploration based on either prior exploration conducted by other companies, or management information and work products derived from various reports, maps, radioactive rock samples, exploratory drill logs, state organization reports, consultants, geological study, and other exploratory information.

Our principal mineral properties are the Goliad project in Goliad County, Texas and the Cibola Resources LLC Cebolleta joint venture project in Cibola County, New Mexico.

The acreage and location of our mineral properties is summarized as follows:

| | <u>Gross Acres</u> | <u>Net Acres</u> |
|------------|--------------------|------------------|
| | | (*) |
| Arizona | 2,871.28 | 2,871.28 |
| Colorado | 5,329.95 | 5,329.95 |
| New Mexico | 34,212.22 | 27,327.02 |
| Texas | 12,517.03 | 9,171.38 |
| Utah | 7,229.17 | 7,229.17 |
| Wyoming | <u>18,744.23</u> | <u>18,744.23</u> |
| | <u>80,903.88</u> | <u>70,673.03</u> |

(*) Certain of our interests in our mineral properties in Texas and New Mexico are less than 100%. Accordingly, we have presented the acreage of our mineral properties on a net acre basis.

During the 2008 fiscal year through the date of this Quarterly Report, we acquired an additional 25,907 gross acres (22,980 net acres) in the States of Arizona, Colorado, New Mexico, Texas, Utah and Wyoming for an aggregate paid consideration of \$1,655,090.

We plan to use our database of exploration data in order to target additional exploration properties for acquisition. For the remainder of the 2008 fiscal year, we plan to acquire further acres of mineral properties consisting of claim blocks located in, but not limited to the states of Arizona, Colorado, New Mexico, Texas, Utah and Wyoming. Our ability to complete these acquisitions will be subject to obtaining sufficient financing and being able to conclude agreements with the property owners on terms that are acceptable to us. These potential acquisition properties have not yet been specifically identified.

Our properties do not have any reserves. We plan to conduct exploration programs on these properties with the objective of ascertaining whether any of our properties contain economic concentrations of uranium that are prospective for mining. As such, we are considered an exploration or exploratory stage company. Since we are an exploration stage company, there is no assurance that a commercially viable mineral deposit exists on any of our properties, and a great deal of further exploration will be required before a final evaluation as to the economic and legal feasibility for our future exploration is determined. We have no known reserves of uranium or any other type of mineral. Since inception, we have not established any proven or probable reserves on our mineral property interests.

OUR MINERAL EXPLORATION PROPERTIES

We are participating in our mineral properties in the States of Arizona, Colorado, New Mexico, Texas, Utah and Wyoming by way of mining claims and mineral leases. Certain properties were staked and claimed by us and registered with the United States Bureau of Land Management ("BLM"). Claim blocks acquired in this manner exist in Arizona, Colorado, New Mexico and Wyoming. We have surface access and complete mineral rights to an unlimited depth below surface. The claims are in effect for an indefinite period provided the claims are kept in good standing with the BLM and the counties. Annual maintenance fees to be paid to the BLM are relatively nominal. We will also be required to remediate the land upon release of the claim - bringing the land back into the state it was originally, prior to the commencement of our exploration activities. These costs are determined by the BLM and bonded accordingly.

In the States of New Mexico, Utah and Texas, we are participating in our mineral properties by way of property lease directly from the owners of the land/mineral rights. These leases give us similar access and privileges as described above, however with some important differences. Although we will have access to the surface, the mineral rights below surface are restricted to uranium and associated fissionable minerals only, with any other minerals and hydro carbons, including, for example, petroleum, retained by the lessor. The lease terms are for five years, and include five-year renewal periods. After the expiration of the second five-year term, the leases will be either held by production or the leases will be terminated. These leases are subject to varying royalty interests, some of which are indexed to the sale price of uranium at the time of production. Royalty payments must be made to the lessor in the event that we extract uranium ore from the properties. All royalties are based on the gross sales revenue less certain charges and fees.

These properties do not have any indicated or inferred minerals or reserves. We plan to conduct exploration programs on these properties with the intent to prove or disprove the existence of economic concentrations of uranium. Since inception, we have not established any proven or probable reserves on our mineral property interests.

RECENT EXPLORATION ACTIVITIES

Goliad

During the 2008 fiscal year and through the date of this Quarterly report, we continued the initial confirmation drilling at our 100% controlled Goliad project in Goliad County, Texas (the "Goliad Lease"). Our drilling program consists of ongoing drilling in order to confirm and expand the existence of historically drill-indicative resources on the property (as identified by Moore Energy Corporation during the 1980's) and extending historically identified mineralized trends.

As of the date of this Quarterly Report, current drilling is filling in gaps and defining boundaries within the historically delineated ore bodies as originally developed by Moore Energy Corporation in the 1980s based on 190,000 feet of drilling in approximately 450 holes. To date, we have completed approximately a further 888 exploration, confirmation and delineation holes totaling 309,274 feet, 9 new core holes totaling 2,504 feet, 38 monitor

wells totaling 6,560 feet and 8 fault pump testing wells totaling 1,804 feet.

We have received an updated technical report (the "Technical Report") in accordance with the provisions of National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101"), of the Canadian Securities Administrators for our Goliad Project located in Goliad County, Texas. The complete Technical Report has been filed under our company's profile on the Canadian Securities Administrators public disclosure website, at

www.sedar.com. The Technical Report is authored by Thomas A. Carothers, P.Geo., a qualified person as defined in NI 43-101, who has over 30 years of uranium experience, substantially in the South Texas Uranium trend. His experience includes working directly for two operating ISR mining companies in South Texas, US Steel and Tenneco Uranium, during the 1970s and 1980s.

As required by NI 43-101, the Technical Report contains certain disclosure relating to measured, indicated and inferred mineral resource estimates for the Company's Goliad Project. Such mineral resources have been estimated in accordance with the definition standards on mineral resources of the Canadian Institute of Mining, Metallurgy and Petroleum referred to in NI 43-101. Measured mineral resources, indicated mineral resources and inferred mineral resources, while recognized and required by Canadian regulations, are not defined terms under the SEC's Industry Guide 7, and are normally not permitted to be used in reports and registration statements filed with the SEC. Accordingly, we have not reported them in this report or otherwise in the United States.

Investors are cautioned not to assume that any part or all of the mineral resources in these categories will ever be converted into mineral reserves. These terms have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. In particular, it should be noted that mineral resources which are not mineral reserves do not have demonstrated economic viability. It cannot be assumed that all or any part of measured mineral resources, indicated mineral resources or inferred mineral resources discussed in the news release and Technical Report will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of feasibility or other economic studies. Investors are cautioned not to assume that any part of the reported measured mineral resources, indicated mineral resources or inferred mineral resources referred to in this news release and in the Technical Report are economically or legally mineable.

RESULTS OF OPERATIONS

Three Months Ended April 30, 2008 Compared to Three Months Ended April 30, 2007

We are an exploration stage company and net production revenues during the three months ended April 30, 2008 and 2007 were \$Nil. Our net loss for the three months ended April 30, 2008 was \$6,140,369 compared to a net loss of \$3,808,474 during the same period ended April 30, 2007.

Operating expenses incurred during the three months ended April 30, 2008 increased to \$6,130,718 from \$3,959,250 over the same period ended April 30, 2007. The increase is primarily due to the expansion of current operations and the corresponding change in administration and exploration costs associated with the increased acquisition and development of our uranium properties and related infrastructure, in addition to an increase in stock-based compensation expenses. Significant expenditures and changes are outlined as follows:

26

-
- Consulting fees increased to \$110,049 during the three months ended April 30, 2008 from \$91,407 during the same period ended April 30, 2007 due primarily to increased reliance on third party service providers as we expand our operations.

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- Consulting fees - stock based decreased to \$185,071 during the three months ended April 30, 2008 from \$478,958 during the same period ended April 30, 2007. The current period expense consists of the fair value of option grants earned during the period, whereas the prior period consisted of the fair value of option grants earned during the period in addition to the amortization of stock and warrant grants issued to consultants.
- Depreciation increased to \$122,911 during the three months ended April 30, 2008 from \$24,817 during the same period ended April 30, 2007 due to significant investments in property, equipment and databases during the current fiscal year and the seven month period ended July 31, 2007.
- General and administrative costs increased to \$1,474,735 during the three months ended April 30, 2008 from \$806,633 during the same period ended April 30, 2007 due to the general expansion in operations and personnel in the current period as compared to the prior period, and more significant marketing activities in the current period.
- Interest and finance charges increased to \$25,642 during the three months ended April 30, 2008 from \$Nil during the same period ended April 30, 2007 due to a current period expense realized on the issuance of warrants resulting from delays in an S-1 Registration Statement becoming effective.
- Management fees decreased to \$190,383 during the three months ended April 30, 2008 from \$234,659 during the same period ended April 30, 2007 due primarily to a retirement bonus and the inclusion of an additional officer in the prior year.
- Management fees - stock based increased to \$1,752,250 during the three months ended April 30, 2008 from \$473,000 during the same period ended April 30, 2007. The current and prior period expenses consists of the fair value of option grants earned during the period.
- Mineral property expenditures increased to \$1,803,677 during the three months ended April 30, 2008 from \$1,499,550 during the same period ended April 30, 2007 due to the expansion of exploration activities over the prior period, primarily in the Goliad project.
- Professional fees increased to \$190,276 during the three months ended April 30, 2008 from \$155,113 during the same period ended April 30, 2007 due primarily to increases in audit and review costs in addition to increases in counsel fees associated with the growth in our operations.
- Wages and benefits - stock based increased to \$275,724 during the three months ended April 30, 2008 from \$195,113 during the same period ended April 30, 2007. The current and prior year expenses consists of the fair value of option grants earned during the period.

Interest and other income decreased to \$25,983 during the three months ended April 30, 2008 from \$150,776 during the same period ended April 30, 2007 due to significantly higher cash balances maintained during the prior period. A \$34,168 gain on the sale of marketable securities was realized during the three months ended April 30, 2008 from the sale of investments. There were no investment related transactions during the prior period ended April 30, 2007.

Deferred tax expense increased to \$69,802 during the three months ended April 30, 2008 from \$Nil during the same period ended April 30, 2007. The deferred tax benefit is calculated on the estimated unrealized gain on available-for-sale securities in the current fiscal period which is reflected in other comprehensive income.

Our net loss during the three months ended April 30, 2008 was \$6,140,369 or (\$0.15) per share, compared to a net loss of \$3,808,474 or (\$0.11) per share during the same period ended April 30, 2007. The weighted average number of shares outstanding was 39,780,823 for the three months ended April 30, 2008 compared to 35,809,141 for the same period ended April 30, 2007.

Transactions with Officers and Directors

Of the \$6,130,718 incurred as operating expenses during the three months ended April 30, 2008 an aggregate of \$190,383 was incurred payable to certain officers and directors and recorded as management fees. Additionally, an aggregate of \$1,752,250 was incurred as stock-based compensation based on the fair value of options granted to officers and directors that were earned during the period. At April 30, 2008 there were no amounts due and owing to our directors and officers. A balance of \$10,320 for the reimbursement of administrative costs at April 30, 2008 is due from companies controlled by direct family members of a current officer and a current director.

27

Nine Months Ended April 30, 2008 Compared to Nine Months Ended April 30, 2007

We are an exploration stage company and net production revenues during the nine months ended April 30, 2008 and 2007 were \$Nil. Our net loss for the nine months ended April 30, 2008 was \$14,446,327 compared to a net loss of \$10,568,809 during the same period ended April 30, 2007.

Operating expenses incurred during the nine months ended April 30, 2008 increased to \$14,460,579 from \$11,217,440 over the same period ended April 30, 2007. The increase is primarily due to the expansion of current operations and the corresponding change in administration and exploration costs associated with the increased acquisition and development of our uranium properties and related infrastructure. Significant expenditures and changes are outlined as follows:

- Consulting fees increased to \$412,107 during the nine months ended April 30, 2008 from \$212,294 during the same period ended April 30, 2007 due primarily to increased reliance on third party service providers as we expand our operations.
- Consulting fees - stock based decreased to \$503,304 during the nine months ended April 30, 2008 from \$1,852,386 during the same period ended April 30, 2007. The current period expense consists of the fair value of option grants earned during the period, whereas the prior period consisted of the amortization of significant stock and warrant grants issued to consultants.
- Depreciation increased to \$273,865 during the nine months ended April 30, 2008 from \$59,993 during the same period ended April 30, 2007 due to significant investments in property, equipment and databases during the current period, the seven month period ended July 31, 2007, and the last half of the 2006 calendar year.
- General and administrative costs increased to \$3,980,742 during the nine months ended April 30, 2008 from \$1,863,620 during the same period ended April 30, 2007 due to the general expansion in operations and personnel in the current period as compared to the prior period, and more significant marketing activities in the current period.
- Interest and finance charges increased to \$25,642 during the nine months ended April 30, 2008 from \$Nil during the same period ended April 30, 2007 due to a current period expense realized on the issuance of warrants resulting from delays in an S-1 Registration Statement becoming effective.
- Management fees decreased to \$620,536 during the nine months ended April 30, 2008 from \$831,741 during the same period ended April 30, 2007 due primarily to year-end and retirement bonuses, and the inclusion of an additional officer in the prior year.
- Management fees - stock based decreased to \$2,019,250 during the nine months ended April 30, 2008 from \$2,372,753 during the same period ended April 30, 2007. The current and prior period expenses consists of

the fair value of option grants earned during the period.

- Mineral property expenditures increased to \$5,084,304 during the nine months ended April 30, 2008 from \$3,016,252 during the same period ended April 30, 2007 due to the expansion of exploration activities over the prior period, primarily in the Goliad project.
- Professional fees increased to \$512,383 during the nine months ended April 30, 2008 from \$341,110 during the same period ended April 30, 2007 due primarily to increases in audit and review costs in addition to increases in counsel fees associated with the growth in our operations.
- Wages and benefits - stock based increased to \$1,028,446 during the nine months ended April 30, 2008 from \$667,291 during the same period ended April 30, 2007. The current and prior year expenses consists of the fair value of option grants earned during the period.

Interest and other income decreased to \$157,410 during the nine months ended April 30, 2008 from \$255,161 during the same period ended April 30, 2007 due to higher cash balances maintained during the prior period. A \$34,168 gain on the sale of marketable securities was realized during the nine months ended April 30, 2008 from the sale of investments. There were no investment related transactions during the prior period ended April 30, 2007. During the nine months ended April 30, 2006 (as restated), we recorded a \$363,757 gain on the sale of the Cadena database.

Deferred tax expense increased to \$187,681 during the nine months ended April 30, 2008 from \$Nil during the same period ended April 30, 2007. The deferred tax benefit is calculated on the estimated unrealized gain on available-for-sale securities in the current fiscal period which is reflected in other comprehensive income.

28

Our net loss during the nine months ended April 30, 2008 was \$14,446,327 or (\$0.37) per share, compared to a net loss of \$10,568,809 or (\$0.33) per share during the same period ended April 30, 2007. The weighted average number of shares outstanding was 38,709,387 for the nine months ended April 30, 2008 compared to 31,925,691 for the same period ended April 30, 2007.

Transactions with Officers and Directors

Of the \$14,460,579 incurred as operating expenses during the nine months ended April 30, 2008 an aggregate of \$620,536 was incurred payable to certain officers and directors and recorded as management fees. Additionally, an aggregate of \$2,019,250 was incurred as stock-based compensation based on the fair value of options granted to officers and directors that were earned during the period. At April 30, 2008 there were no amounts due and owing to our directors and officers. A balance of \$10,320 for the reimbursement of administrative costs at April 30, 2008 is due from companies controlled by direct family members of a current officer and a current director.

LIQUIDITY AND CAPITAL RESOURCES

Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

At April 30, 2008 we had \$2,654,677 in cash and working capital of \$2,419,586. Generally, we have financed our operations through the proceeds from the private placement of equity securities and the exercise of stock options and warrants. We used \$6,428,776 net cash during the nine months ended April 30, 2008.

Operating Activities

Net cash used in operating activities during the nine months ended April 30, 2008 was \$9,953,084 compared to \$6,177,793 during the same period ending April 30, 2007. Significant operating expenditures during the current period included mineral property expenditures, and general and administrative costs.

Financing Activities

Net cash provided by financing activities during the nine months ended April 30, 2008 was \$6,691,503 compared to \$17,213,656 during the same period ending April 30, 2007. During the current period, we received net proceeds of \$6,582,685 primarily from the sale of our common stock pursuant to private placements.

Investing Activities

Net cash used in investing activities during the nine months ended April 30, 2008 was \$3,167,195 compared to \$2,902,265 in the same period ending April 30, 2007. Significant investing expenditures during the current period included mineral property acquisitions, including a \$980,000 payment related to the Cibola Resources LLC agreement, a \$500,000 payment for the Tronox database acquisition, payments totaling \$200,000 relating to the F-33 agreement, and \$757,647 in purchases of equipment.

Stock Options and Warrants

At April 30, 2008 we had 5,477,500 stock options and 5,829,243 share purchase warrants outstanding. The outstanding stock options have a weighted average exercise price of \$2.03 per share and the outstanding warrants have a weighted average exercise price of \$3.17 per share. Accordingly, as of April 30, 2008 the outstanding options and warrants represented a total of 11,306,743 shares issuable for proceeds of approximately \$29,598,000 if these options and warrants were exercised in full. The exercise of these options and warrants is completely at the discretion of the holders. There is no assurance that any of these options or warrants will be exercised.

PLAN OF OPERATION AND FUNDING

Existing working capital is not expected to be adequate to fund our operations over the next twelve months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments and the exercise of stock options and warrants. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) uranium exploration operating activities; (ii) possible future reserve definition; (iii) possible future mining initiatives on current and future properties; and (iv) future possible property acquisitions. We intend to finance these expenses with further issuances of securities, and debt issuances. We expect we will need to raise additional capital to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

Going Concern

We commenced operations on May 16, 2003, and have not realized any significant revenues since inception. As at April 30, 2008 we have working capital of \$2,419,586 and an accumulated deficit of \$35,610,091. Existing cash resources are currently not expected to provide sufficient funds through the upcoming year, the capital expenditures required to achieve planned principal operations may be substantial. The continuation of the Company as a going

concern is dependent upon the ability of the Company to obtain necessary financing to continue operations. We are in the exploration stage of our mineral property development and to date have not yet established any known mineral reserves on any of our existing properties. Our continued operations and the recoverability of the carrying value of our assets is ultimately dependent upon our ability to achieve profitable operations. To date we have completed private placements and exercised stock options for net proceeds of \$31,496,699 from the issuance of shares of the our common stock.

MATERIAL COMMITMENTS

Holley Option

On March 28, 2007, we entered into the Holley Option granting us the option to acquire certain mineral property leases, which are located in the States of Colorado, New Mexico, and Utah, together with certain historical database records for total consideration of \$1,594,690. Under the terms of the Holley Option, and in order to maintain our option to acquire the assets, we are required to make the following option price payments totaling \$1,500,000 to the order and direction of the Holley Option holders in the following manner:

- (a) an initial payment of \$25,000 on the execution date (paid);
- (b) a payment of \$100,000 on March 28, 2007 (paid);
- (c) a payment of \$475,000 on or before April 27, 2007 (paid);
- (d) a further payment of \$500,000 on or before April 27, 2008 (paid);
- (e) a final payment of \$400,000 on or before April 27, 2009.

Upon execution of the Holley Option, we also reimbursed the Holley Option holders approximately \$95,000 for prior regulatory property payments having been made to the New Mexico Bureau of Land Management. In addition, we will be required to pay a royalty of 2% or 3% of the gross proceeds received from the sale of any Uranium or Vanadium produced in relation to any mineral claim covered under the Holley Option and, at any time during the option period or thereafter, we may elect to purchase the royalty interest at a base cost of \$300,000 for each 1% royalty interest it wishes to acquire.

Cibola Resources LLC

On April 27, 2007, we entered into a joint venture (the "Joint Venture") with Neutron Energy Inc., a Wyoming corporation ("NEI") in connection with exploration of property covering 6,717 acres located in Cibola County, New Mexico (the "Property") for uranium resources. In connection with the Joint Venture, Cibola Resources LLC, a Delaware limited liability company ("Cibola"), was formed for purposes of undertaking exploration activities contemplated by the Joint Venture.

On April 6, 2007, NEI and La Merced del Pueblo de Cebolleta, a private entity that has authority over the natural resources of the Property ("Cebolleta"), entered into a mining lease agreement (the "Mining Lease Agreement"), pursuant to which NEI acquired the mining lease to the Property from Cebolleta (the "Lease") for cash payments of \$3,000,000. As of June 30, 2007, we have reimbursed NEI an aggregate of \$1,470,000. As a result, we have a 49% equity interest in Cibola and NEI has a 51% equity interest in Cibola, respectively. NEI contributed the Lease to Cibola Resources LLC.

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Under terms of a Letter Agreement (the "Letter Agreement") between Cebolleta and NEI, further payments to the order and direction of Cebolleta are required as follows:

- (a) \$2,000,000 six months from the effective date of the Letter Agreement (paid \$980,000, being the Company's portion);
- (b) \$500,000 representing an advanced royalty, every 12 months from the effective date of the Letter Agreement until uranium production begins (to be deducted from any royalties paid in that same year);
- (c) \$1.00 per pound upon an independent mining engineering firm's completion of a feasibility study, and all prior payments made to Cebolleta will be credited to the recoverable reserve payment;
- (d) 4.50% to 8.00% production royalty payments depending upon the uranium sale price; and
- (e) \$30,000 per year towards a scholarship fund.

We are required to contribute 49% of the aforementioned payments in order to retain our interest in the Joint Venture. Through the date of this Quarterly Report, the Company has paid \$2,486,750 in acquisition costs and an additional \$119,137 in exploration costs on behalf of Cibola for a cumulative contribution of \$2,569,137.

Consulting Agreements

On September 6, 2007 we entered into an agreement for media distribution services valued at approximately \$270,000. Under the terms of the agreement, we paid a retainer of \$100,000, with the balance of the agreement due upon completion of the services.

New River Project Acquisition

On November 1, 2007 we entered into a binding letter Agreement to Purchase Assets with Melvin O. Stairs, Jr. ("Mr. Stairs"), for a mineral exploration claim and related database information located in Maricopa County, Arizona. Under the terms of the agreement, the Company will pay total consideration of \$1,200,000 including i) a \$10,000 deposit upon execution (paid), ii) installments of \$95,000 cash on January 10, 2008 (paid) and August 15, 2008, and iii) installments totaling \$100,000 on January 10 and August 15 of each year for the period from January 10, 2009 through August 15, 2013. Additionally, the Company has granted the seller security interest on the acquired assets until the agreement is paid in full.

F-33 Acquisition

On November 13, 2007, we entered into an agreement to acquire certain mineral property leases located in Cibola County, New Mexico for total consideration of \$400,000. Under the terms of the agreement, we paid an initial deposit of \$100,000 upon closing with the remaining balance due in three installments of \$100,000 due on March 31, 2008 (paid), December 31, 2008, and December 31, 2009. At our option, the final two installments may be paid in stock, based on the average trading price of our common stock over the 10 days immediately preceding the due date.

Management Fees

We are committed to pay our key executives a total of approximately \$610,000 per year for management services.

Office Leases

We are currently leasing office premises in New Mexico, Texas, and Wyoming for monthly payments totaling \$8,759. All office lease agreements having a maximum term of no more than three years.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this Quarterly Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guaranteed contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

31

CRITICAL ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions are determining the fair value of transactions involving common stock, valuation and impairment losses on mineral property acquisitions, valuation of stock-based compensation, and valuation of available-for-sale securities. Other areas requiring estimates include allocations of expenditures to resource property interests and depreciation of property and equipment. Actual results could differ from those estimates.

Mineral Property Costs

We are primarily engaged in the acquisition, exploration and development of mineral properties.

Mineral property acquisition costs are initially capitalized when incurred in accordance with EITF 04-2, "Whether Mineral Rights are Tangible or Intangible Assets". At the end of each fiscal quarter end, we assesses the carrying costs for impairment under SFAS 144, "Accounting for Impairment or Disposal of Long Lived Assets". If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

Mineral property exploration costs are expensed as incurred.

Estimated future removal and site restoration costs, when determinable are provided over the life of proven reserves on a units-of-production basis. Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. Any charge is included in exploration expense or the provision for depletion and depreciation during the period and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

As of the date of this Quarterly Report, we have not established any proven or probable reserves on our mineral properties and incurred only acquisition and exploration costs.

Databases

Costs related to internally developed databases are expensed as incurred. Costs of acquired mineral property databases are capitalized upon acquisition. Mineral property databases are tested for impairment whenever events or changes indicate the carrying value amount may not be recoverable. An impairment loss is recognized if it is determined that the carrying amount is not recoverable and exceeds fair value. Mineral property databases are amortized over five years using the straight-line method.

Restoration and Remediation Costs (Asset Retirement Obligations)

Various federal and state mining laws and regulations require us to reclaim the surface areas and restore underground water quality for our mine projects to the pre-existing mine area average quality after the completion of mining. In August 2001, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which established a uniform methodology for accounting for estimated reclamation and abandonment costs.

32

In March 2005, the FASB issued Interpretation 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations"--an interpretation of FASB No. 143. FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143 refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. FIN 47 requires a liability to be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

Future reclamation and remediation costs are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at each project. Such estimates would be determined by our engineering studies calculating the cost of future surface and groundwater activities.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate.

Foreign Currency Translation

Our functional currency is United States dollars. Our subsidiary, UEC Resources Ltd. maintains its accounting records in their local currency (Canadian dollar). In accordance with SFAS No. 52, "Foreign Currency Translation", the financial statements of our subsidiary is translated into United States dollars using period end exchange rates as to monetary assets and liabilities and average exchange rates as to revenues and expenses. Non-monetary assets are translated at their historical exchange rates. Net gains and losses resulting from foreign exchange translations and foreign currency exchange gains and losses on transactions occurring in a currency other than our functional currency are included in the determination of net income in the period.

Recent Accounting Pronouncements

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted

accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. We are currently assessing the impact of SFAS 157 on our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently assessing the impact of SFAS No. 159 on our financial position and results of operations.

In February 2008, the FASB released FSP No. FAS 157-2. FSP No. FAS 157-2 defers the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. It does not defer recognition and disclosure requirements for financial assets and financial liabilities, or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually.

Item 3. Controls and Procedures

Management's Consideration of the Restatement

Prior to filing this Report, our management, with the participation of the Chief Executive Officer and Chief Financial Officer, reconsidered their conclusions regarding the effectiveness of disclosure controls and procedures and our internal controls over financial reporting as at April 30, 2008 in light of and giving consideration to the facts and circumstances of the restatement of our annual financial statements for the period ended July 31, 2007 and year ended December 31, 2006 included in our Transition Report on Form 10-KSB for the period ended July 31, 2007, as amended, as also reflected in our subsequently filed Quarterly Reports on Form 10-QSB for the periods ended October 31, 2007 and January 31, 2008, as amended.

In assessing whether our disclosure controls and procedures and our internal controls over financial reporting were effective as of April 30, 2008 management considered the impact of the restatement to our financial statements as described above, as well as our control environment.

Management has concluded that the re-evaluation of the impairment analysis performed at the end of each respective period and the correction for errors in recording database related transactions represents a material weakness in our internal control over financial reporting as of April 30, 2008. Accordingly, our management has concluded that our disclosure controls and procedures and internal controls over financial reporting were not effective as of April 30, 2008.

We have had in place, since fiscal 2007, an effective asset impairment control to, among other things, detect, value and record indications of impairment that could result in the carrying value of an asset not being recoverable.

Additionally, since fiscal 2007, we have had in place effective capital asset transaction controls to, among other things, detect, value and record capital asset acquisitions, disposals and depreciation. We have made improvements to our controls to detect, value and record indications of impairment on long-lived assets as well as controls relating to our capital asset transactions. As a component of our improvements, management has instituted a policy in order to mitigate such future occurrences, whereby we will seek third party independent professional advice when faced with complex accounting issues or where interpretation of policies or regulations is required or warranted.

Financial Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation as well as the consideration of the restatement, our Chief Executive Officer and Chief Financial Officer have concluded that, as at April 30, 2008 our disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed by us in reports we file is recorded, processed, summarized and reported within the appropriate time periods and forms.

Management believes that it has remediated the deficiency in our disclosure controls and procedures related to the detection, valuation and recording of impairments in our long-lived assets as well as our controls and procedures relating to our capital asset transactions.

Internal Control Over Financial Reporting

Our management, under the supervision of our Audit Committee and our Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our controls include policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and our receipts and expenditures are made only in accordance with authorizations of management and our directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual financial statements or interim financial statements.

As noted above, management has concluded that a deficiency existed with respect to the detection, valuation and recording of impairments in our long-lived assets in prior periods and that this deficiency constituted a material weakness in our internal controls. Additionally, management has concluded that a deficiency existed with respect to the detection, valuation and recording of capital asset transactions in prior periods. As a result management has concluded that our disclosure controls and procedures and internal controls over financial reporting were not effective as of April 30, 2008.

We have had in place, since fiscal 2007, an effective asset impairment control to, among other things, detect, value and record indications of impairment that could result in the carrying value of an asset not being recoverable. Additionally, since fiscal 2007, we have had in place effective capital asset transaction controls to, among other

things, detect, value and record capital asset acquisitions, disposals and depreciation. We have made improvements to our controls to detect, value and record the impairment of our long-lived assets as well as controls relating to our capital asset transactions.

Limitations of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have been informed that counsel for Goliad County, Texas has issued a notice of intent to file litigation citing us for alleged infractions of the United States Safe Drinking Water Act of 1974, in connection with our exploration activities in Goliad County. We believe this proposed claim regarding our exploration activities is without merit and will be vigorously defended by us, if filed. The responsible state agency with sole jurisdiction over our exploration activities has already thoroughly investigated the County's complaint and has found us to be in compliance with all applicable regulatory and environmental requirements. Specifically, as the agency noted in an April 2007 letter to the County's attorney, the State agency hydrologist "concluded from the available information that no ground-water contamination has occurred as a result of the drilling activities." The state agency concluded its letter by noting that "to date, the Commission's investigation of your complaint has not revealed any practice or activity within the approved permit area that has adversely affected the wells identified in your complaint or the related aquifer, or is out of compliance with the Texas Uranium Mining Regulations...." Later in a September 2007 letter to the Goliad groundwater district, the agency reiterated its findings: the agency's "investigation of your complaint has not revealed

any practice or activity at UEC's Uranium Exploration Permit No. 123 that is out of compliance.... We consider this investigation to be closed." Our Goliad Project has been inspected on a monthly basis since the close of the investigation, and no violations have been noted. In fact, an inspection report from November of 2007 observed that "prompt attention" to site restoration during exploration was apparent and "the area inspected looked very good." We are dedicated to full compliance with all aspects of the state regulatory process and will continue to focus our attention and efforts on obtaining all necessary authorizations for our Goliad Project.

We were informed that we had been named as a defendant in a claim filed in the United States District Court for the Eastern District of New York for \$33,000 in legal fees in connection with our prior and amicable settlement of a short-swing profit matter under Section 16(b) of the United States Securities Exchange Act of 1934, as amended, by a non-management shareholder of the Company. The plaintiff acted as counsel for the shareholder. We believe that the legal fees sought were highly unreasonable for the work performed by the plaintiff. As of the date of this Quarterly Report the Company has settled this claim for legal fees in the amount of \$13,000 and considers the matter concluded.

As of the date of this Quarterly Report, no director, officer or affiliate is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceedings. Management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Consulting Services Agreements

On February 1, 2007 we entered into a one year consulting services agreement, which was renewed for a second term effective February 1, 2008. In accordance with the terms and provisions of the agreement, on November 6, 2007 we issued 10,000 shares of our restricted common stock, on January 24, 2008 we issued 7,500 shares of our restricted common stock, and on April 30, 2008 we issued an additional 7,500 shares of our restricted common stock, pursuant to Regulation D to accredited investors.

On April 15, 2008 we entered into a three month consulting services agreement. . In accordance with the terms and provisions of the agreement, on May 1, 2008 we issued 15,000 shares of our restricted common stock, pursuant to Regulation D to accredited investors.

Right of Way and Easement Agreement

On May 22, 2008 we entered into a ten (10) year right of way and easement agreement relating to our Goliad project. In accordance with the terms and provisions of the agreement, on May 22, 2008 we issued 11,500 shares of our restricted common stock, pursuant to Regulation D to accredited investors.

Share Purchase Warrants

On April 12, 2008, May 12, 2008 and June 12, 2008, we issued to certain investors (pursuant to Rule 506 under Regulation D to accredited investors and Regulation S to non-U.S. persons), an aggregate of 202,446 non-transferable common share purchase warrants to acquire an equivalent number of common shares of the Company pursuant to the investors' respective December 12, 2007 private placement subscription agreements with us. These warrants were issued as liquidated damages resulting from the delay in not having a registration statement respecting the investors' securities declared effective by the SEC within four months from the original date of issuance of the securities underlying the original subscription agreements.

During the nine months ended April 30, 2008 and through the date of this Quarterly Report, we issued an aggregate of 48,235 shares of our common stock pursuant to the exercise of 48,235 stock purchase warrants for net proceeds of \$137,755.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

| <u>Exhibit</u> | <u>Description of Exhibit</u> |
|----------------|--|
| 31.1 | Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a). |
| 31.2 | Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a). |
| 32.1 | Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

URANIUM ENERGY CORP.

/s/ "Amir Adnani"

Amir Adnani

President, Chief Executive Officer and Principal
Executive Officer
Date: June 13, 2008